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SUBJECT: SCENESETTER FOR UNDER SECRETARY KAREN HUGHES TRIP
TO MEXICO, FEBRUARY 12-15, 2007

¶1. Summary: Welcome to Mexico. Your visit comes at an important time, with the Calderon administration in only its third month in office. Notwithstanding the polarized political climate in Mexico, President Felipe Calderon is off to a strong start, demonstrating leadership at home and abroad in a manner much appreciated by Mexican citizens, and showing himself eager to build on an already strong U.S. - Mexico relationship. Facing significant domestic challenges in pursuing his security, economic and social agendas, however, Calderon must also chip away at the historic Mexican ambivalence toward the U.S. that has slowed progress on many common fronts. Your visit will be a high profile event here; you can advance bilateral relations by reinforcing in the public mind the image of the U.S. as a worthy, credible partner that is attentive to Mexico's interest and concerns. End Summary.

¶2. No two countries on earth share a more profound bilateral relationship than the United States and Mexico. We are tied together by history, geography, economics and personal relationships. We form the second largest trading partnership in the world, doing close to half a trillion dollars in business in 2006. We are bound by family ties as a result of vast migration flows north. Even our problems increasingly bring us together: transnational crime and violence have engendered a common sense of menace as both Mexicans and Americans come to realize the corrosive and lethal effects of the trade in illegal drugs.

¶3. As Americans in the NAFTA era slowly adapt their view of Mexico as an unknown and dangerous territory, for their part, Mexicans continue to look at the U.S. with a traditional mixture of admiration and suspicion. Polls repeatedly demonstrate that the Mexican public generally admires the United States, its relative economic stability and high standard of living, the sense of fair play that underpins its legal and economic systems and the opportunity it provides to citizens and immigrants alike. Surveys also show that, paradoxically, Mexicans are also uncomfortable with the U.S.'s large cultural footprint here, fear the potential for domination and believe that we treat their countrymen in the United States poorly. These negative trends have been reinforced in recent months by the public debate in the United States over immigration and particularly by the decision to erect a 700 mile security fence along the southern U.S. border, which sparked strong public opposition.

¶4. Unfortunately, such ambivalence also has been reinforced by Mexico's governing elites and opinion leaders keen to demonstrate their independence from the United States even as economic and law enforcement cooperation has grown in recent years. Rather than help lead public opinion in a direction that appropriately reflects the positive character of the bilateral relationship, Mexican leaders have all too often pandered to the sensitivities engendered by its most troublesome aspects.

¶5. The good news is that President Calderon seems set to break free of this mold. In his first weeks in office, he has seized the initiative on several important issues, particularly on the law enforcement front, demonstrating his intent to forge an activist presidency. He has also demonstrated pragmatism and maturity in his posture toward the United States. His message to us, to his countrymen and to the world is that Mexico will get what it needs from us on the basis of equality and the close cooperation expected of neighbors who share a common border, as well as common problems.

¶6. Calderon has demonstrated particular acumen on the issue of migration. President Fox led with his chin, raised expectations domestically and indirectly contributed to a sense of bitterness here that a bilateral accord could not be reached on his watch. His successor has deliberately downplayed migration's importance in the bilateral relationship. Although he strongly criticized the border security fence late last year, Calderon recognizes that immigration reform is a U.S. domestic matter largely out of his hands and has chosen to focus his public remarks on the need to spur economic growth in Mexico as one way to confront illegal migration to the U.S.

¶7. This issue is likely to come up frequently during your visit here. You should acknowledge the controversy the border fence has provoked in Mexico while emphasizing that the initiative is just one element of a comprehensive package of border security measures and other reforms to which President Bush remains committed. You can also recognize the contributions Mexicans make to the economies of both our countries.

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¶8. How Calderon frames his expectations of the U.S. marks an even more positive change. For example, he offers a frank assessment of the scope of the illegal narcotics problem in Mexico, calmly argues that the U.S., as the principal market for the drugs transiting or originating in Mexico, is jointly responsible for it, but freely acknowledges that Mexico cannot confront it without our help and cooperation. He is equally frank about his desire to see expanded assistance and cooperation (although his government has yet to detail what it is seeking). Such positive spin builds on former president Fox's efforts to expand cooperation and moves us further away from the often bitter bilateral blame-seeking that characterized the issue during previous administrations.

¶9. Calderon's deeds in this area say even more. Major counter-narcotics thrusts into narco-transit zones in Michoacan, Guerrero, Baja California and other states have met with general public approval. So too did the January 19 extraditions to the U.S. of 15 major criminals. While he bore some criticism, Calderon's move did not spark a major public debate; most accepted the extraditions as necessary. Calderon correctly sized up the Mexican public's acceptance of closer, more dynamic cooperation with the U.S. in an area of fundamental importance and was willing to lead rather than follow public opinion. Such bold initiative merits our support, which you can reinforce through your public remarks here.

¶10. Aside from law enforcement issues, President Calderon faces a set of equally serious challenges in the economy, which also impact on the bilateral relationship. He inherited a stable, growing economy that is becoming tightly linked our own as Mexico's exports to the U.S. continue to grow. To ensure Mexico's ability to compete in a globalized market, particularly in the face of increased competition from Asia, however, Calderon will need to tackle a series of essential structural reforms in the energy sector, in finance, health and transportation and other key areas. A key

test for Calderon is whether he will be able to build the political consensus to tackle the structural changes Mexico needs. Many of his early initiatives will be focused on addressing Mexico's core social problems of poverty and inequality, while seeking to improve Mexico's competitiveness through improvements in education and infrastructure.

¶11. In meetings with Embassy officials, Calderon's cabinet has expressed its willingness to work closely with the United States to encourage greater competition in the domestic market and to address bilateral economic issues under the auspices of the Security and Prosperity Initiative. Many in Mexico remain deeply suspicious of the reform agenda, however, and the U.S. role in setting it. Getting the optics of reform right in a divided society may prove to be an even more difficult undertaking than tackling crime and the new administration needs our help. We need to recognize the need to balance efforts to alleviate poverty with what are likely to be painful structural reforms.

¶12. Your visit takes you to a wide range of cultural, educational and economic venues. Your interest in reaching out to all of Mexico - including constituencies among indigenous and underclass Mexicans that President Calderon himself seeks to engage - is the mark of the respect and concern that Mexicans desire of their closest neighbor.

¶13. Calderon has a bold reform agenda intended to modernize the Mexican state and enhance Mexico's economic competitiveness. It is very much in our interest that he succeeds. Your visit helps us reach out to the hand Calderon has extended to the United States in the weeks since his inauguration; it will highlight our support for an important partner at a key juncture. If there is anything I or my staff can do to make your trip to Mexico more productive and rewarding, do not hesitate to let me know.

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